TARGET AUDIENCE: Operations and Resources Flights

A-GRAM

AIR FORCE CIVIL ENGINEER SUPPORT AGENCY

99-23 MAY 1999

ACCOUNTING FOR ENERGY SAVINGS CONTRACTS

SYNOPSIS:

Under the Energy Policy Act of 1992 and Executive Order 12902, all federal agencies must reduce their energy consumption 20 percent by FY00 and 30 percent by FY05, using FY85 as a baseline. These directives require buildings be surveyed and all energy projects with a 10-year or less payback be programmed.

The three sources that the Air Force uses to do retrofit projects to meet the goal are: (1) The Energy Conservation Investment Program (ECIP), (2) Energy Savings Performance Contracts (ESPC), and (3) Demand Side Management (DSM) programs.

APPROACH:

Under ESPC, Energy Service Companies (ESCOs) pay all up-front costs, identify building energy savings potential, then acquire, install, operate, and maintain the more energy-efficient equipment. Thus, the ESCO earns a share of resulting cost savings from the utility service account until the contract expires.

Under DSM, the regulated utility company finances energy conservation and demand reduction measures up front and is paid out of the savings to the utility service account with utility Operations and Maintenance (O&M) dollars. These projects must have a positive net present value within the life expectancy of the project (10 years or less). DSM agreements generally do not guarantee savings.

Some of the realized benefits from ESPC and DSM projects are reduced energy costs, improved facility energy efficiency, infrastructure improvement, and reduced maintenance and repair of aging equipment. These projects can also place operations and maintenance responsibilities on the ESCO or utility, enabling us to continue our tradition of excellence of service in a reduced resources environment.

UTILITY ACCOUNTING:

The major portion of the billing integrity for ESPC and DSM relies on the information provided by the Maintenance Engineering element to accurately identify payments to contractors for realized savings. Element of expense indicator codes (EEICs) *must* be coded to the 480 utility series to ensure correct identification of costs as a utility expense for the duration of the contract. Otherwise, obligations for utilities will decrease and the ability to accurately identify and maintain necessary funding for utilities will be lost.

AFCESA recommends using EEIC 480.21 for electric ESPC, 480.31 for gas ESPC, etc. For DSM, we recommend using 480.22 and 480.32, respectively. The objective is to code payments for individual utilities to allow them to be separately identified, but still be able to track total utility costs within EEIC 480. Each command needs to advise their bases regarding the exact sub-shreds they desire for them to use for the type of contract being tracked.

COST AWARENESS OPENS WINDOWS TO THE WORLD

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http://www.afcesa.af.mil/Directorate/CES/Mechanical/Energy/Energy.htm

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